

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB DEPRATU**, on February 8, 2001 at 8:00 A.M., in Room 405 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Bob DePratu, Chairman (R)  
Sen. Alvin Ellis Jr., Vice Chairman (R)  
Sen. John C. Bohlinger (R)  
Sen. Mack Cole (R)  
Sen. Pete Ekegren (R)  
Sen. Jon Ellingson (D)  
Sen. Bill Glaser (R)  
Sen. Dan Harrington (D)  
Sen. Emily Stonington (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Branch  
Deb Thompson, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: Senate Bill 268, 1/24/2001;  
Senate Bill 316, 1/31/2001  
Executive Action: None

#### **HEARING ON SENATE BILL 268**

**Sponsor:** SENATOR DON HARGROVE, SD 16, Gallatin County

**Proponents:** David O'CONNOR, General Manager, Buck's T-4 Lodge;  
Cheryl Bowles, Executive Director of the Big Sky Chamber; Scott Johnson, General Manager of Big EZ Lodge; Renae Schumacher, Big

**Sky Conoco; Scott Curly Shea, President Big Sky Chamber; Mona Jamison representing Big Sky Chamber of Commerce**

**Opponents:** None

**Opening Statement by Sponsor:** **SENATOR HARGROVE** presented the bill. He explained that Big Sky was already treated like a municipality. Big Sky is a resort area district created last Session so they could manage their own money. Virginia City, West Yellowstone and Whitefish are other resort areas. This is changing the definition to include unincorporated resorts as Big Sky does not have enough density to incorporate.

**Proponents' Testimony:** **David O'Connor**, representing Buck's T-4 Lodge in Big Sky, spoke in favor of the bill. He presented written testimony. **EXHIBIT(tas32a01)** He distributed testimony from **Mike Scholz**, owner of Buck's T-4 Lodge. **EXHIBIT(tas32a02)**

**Cheryl Bowles**, Executive Director of the Big Sky Chamber, presented written testimony in favor of SB 268. **EXHIBIT(tas32a03)** She handed out a letter from **Tom Kuka**, Vice President of Big Sky Western Bank, who also supported the bill. **EXHIBIT(tas32a04)**

**Scott Johnson**, General Manager of Big EZ Lodge, presented written testimony in favor of the bill. **EXHIBIT(tas32a05)**

**Renae Schumacher**, representing Big Sky Conoco and a board member of the Chamber of Commerce, testified in support of the bill. She said by allowing resort areas or resort districts to qualify for allocation, the marketing in turn should increase bed tax dollars collected in the region. It has been noted that strong convention visitor bureaus in some of the leading communities, have fostered increased bed tax collections throughout the region and state. She pointed out that Big Sky did not get any preferential treatment beyond that of other similar communities or destination ski resorts. She distributed additional testimony from **Lynn Brush**, of BRA Real Estate in Big Sky in support of the bill. **EXHIBIT(tas32a06)** **{Tape : 1; Side : A; Approx. Time Counter : 20 - 21.7}**

**Tom Olson**, resident of Big Sky, supported the bill. He pointed out that even though Big Sky had not incorporated, it was home to several thousand people. There were mostly full time residents at Big Sky. He described the area which had two newspapers, churches, medical clinic, fire department, community library, K-8 school, two banks, and additional features - which was everything it takes to make a home town. He urged the committee pass the bill.

**Scott Curley Shea**, President of Big Sky Chamber of Commerce and owner of First Place Restaurant in Big Sky, spoke in favor of the bill. He pointed out the Bed Tax was created as part of an economic development plan. It was obvious in communities like Big Sky, Whitefish, West Yellowstone and Bozeman - how well the economies have expanded since the Bed Tax was enacted. Promotion efforts have been the catalyst for this growth. Building permits and growth in the construction industry can be related to tourism. Resort areas have vibrant economies and the same services as small cities. **{Tape : 1; Side : A; Approx. Time Counter : 24.5 - 26.9}**

**Mona Jamison**, lobbyist for the Big Sky Chamber of Commerce, stood in strong support of SB 268. She emphasized that business in Big Sky boomed. The definition of resort areas means your basic business is tourism. Money is being brought into this area, the region and the state from this occupation. Since 1988, tourism has contributed to many business spinoffs. She pointed out that Big Sky was a gem of the state and one of the premier resort areas that attracted people. The resort area law came after the bed tax was created. The bill would put the resort areas on equal footing to receive that portion of funds that could be locally directed for marketing initiatives. She stated the Bed Tax worked. The statute was designed to foster that segment of Montana businesses, which includes the Big Sky area. She submitted a letter from Yellowstone Chamber of Commerce who also supported the bill. **EXHIBIT(tas32a07)** One additional letter from Gallatin Field, the airport authority, was submitted. She read one sentence, "The quality and frequency of airline and general aviation services at Gallatin Field depends in part on the volume of guests visiting the Big Sky Area." **EXHIBIT(tas32a08)** She stated the Big Sky tourism business and industry is a boom to Big Sky, Gallatin County and the state. She emphasized the need for a percentage of those funds to direct advertising. **{Tape : 1; Side : B; Approx. Time Counter : 0 - 2.9}**

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:** SENATOR

**STONINGTON** asked about resort definitions. **Ms. Jamison** replied St. Regis in Mineral County was the only other resort area, as resort communities were incorporated. **SENATOR STONINGTON** asked about the definition of municipalities if changing this definition would allow them to qualify for more self government capabilities than they are under resort areas. **Ms. Jamison** replied that they were not ready to do that. In future Legislative Sessions this issue could be addressed. **{Tape : 1; Side : B; Approx. Time Counter : 3.9 - 6.4}**

**SENATOR STONINGTON** asked **Matthew Cone** about the allocation from Travel Montana to Yellowstone Country. **Mr. Cone**, representing the Montana Department of Commerce, said the money came directly from Yellowstone Country. The six tourism region boundaries were set in statute under the Tourism Advisory Council in 1987. Yellowstone Country is a non-profit organization that collects the bed tax funds and disperses them to those who have set up a marketing plan to the Tourism Advisory Council to expend those funds. **Ms. Jamison** described the contributions made by Big Sky Resort to the Bed Tax fund. *{Tape : 1; Side : B; Approx. Time Counter : 6.4 - 12}*

**Closing by Sponsor:** **SENATOR HARGROVE** closed. He noted that Yellowstone Country allocated that money now to Big Sky. The question is fairness and good management. He described efficiencies in the system. He noted how Gallatin county had a high economy and the major reason was the airport and the volume of tourists coming in to Big Sky. *{Tape : 1; Side : B; Approx. Time Counter : 12 - 18.2}*

#### HEARING ON SENATE BILL 316

**Sponsor:** **SENATOR EMILY STONINGTON**, SD 15, Bozeman

**Proponents:** Didi Augustine Peccia, Jackson's Place; Jan Peccia, Montana Book Company; Claudia Clifford, State Auditor's Office; Jani McCall, Deaconess Billings Clinic; Brian Smith, Montana Brewer's Association; Aidan Myhre, Montana Chamber of Commerce; Patti Keeble, AFL-CIO; Susan Witte, Blue Cross Blue Shield; Al Pontrelli, Montana Association of Insurance and Financial Advisors; Sammie Butler, Montana Nurses's Association; Mary Allen, Montana Benefits; Jim Ahrens, Montana Hospital Association

**Opponents:** None

**Opening Statement by Sponsor:** **SENATOR EMILY STONINGTON** presented the bill. The bill addressed the need for health insurance coverage for employees of small businesses. Presently, only 26% of those businesses are able to offer coverage. This bill would offer a five year tax credit incentive for those small businesses with 2-9 employees for offering health insurance. She suggested the bill have an amendment to avoid churning, where a business could be sold and start the credit over.

**Proponents' Testimony:** Didi Augustine Peccia presented written testimony in support of the bill. **EXHIBIT (tas32a09)** *{Tape : 1; Side : B; Approx. Time Counter : 22.7 - 23.9}*

**Jan Peccia** presented written testimony in support of the bill.  
**EXHIBIT (tas32a10)**

**Claudia Clifford**, representing the Insurance Commissioner's Office, offered testimony in support of the legislation. She noted the bill was at the request of the **State Auditor John Morrison**. She described a study done last year with the Department of Public Health and Human Services on the high uninsured rate and strategies to address the problem. She said one of the strategies was a tax credit. She presented letters in support of the bill. One was from Grand Prix Motoring Accessories in Missoula. **EXHIBIT (tas32a11)** The second letter was from Big Sky Eye Care of Hamilton. **EXHIBIT (tas32a12)** She said the Department of Revenue was going to suggest amendments to the bill. The concept was supported, however, they needed more time to review the definitions as to which health plans would qualify for the tax credit. She asked the committee to delay action on the amendments.

**Jani McCall**, Deaconess Billings Clinic, spoke on behalf of the clinic for the bill. She noted that large employers enjoyed the deductibility on insurance premiums on an ongoing basis, rather than tax credits. She recommended the sponsor look into this. The bill would only make the credit available to employers who had not provided health care benefits two years immediately preceding. At the hospital, they see many examples of employers who were getting ready to drop their health care coverage or beginning to decrease the services and benefits that they provide. She suggested this bill could be a disincentive. She asked why the bill only addressed 2 and not more than 9 employees and why there should be a limit on that. **{Tape : 1; Side : B; Approx. Time Counter : 23.9 - 30.7}**

**Brian Smith**, downtown business owner in Helena and President of the Montana Brewer's Association, urged the committee support the bill.

**Aidan Myhre**, Montana Chamber of Commerce, said this was a good incentive for business owners.

**Patti Keeble**, representing the AFL-CIO, presented written testimony. **EXHIBIT (tas32a13)**

**Susan Witte**, Blue Cross Blue Shield, said their group was acutely aware of the percentage of uninsured people. She felt this bill would help small businesses.

**Al Pontrelli**, representing Montana Association of Insurance and Financial Advisors of 450 members, supported the bill.

**Sammie Butler**, Montana Nurse's Association, said this would allow more access to insurance.

**Mary Keller**, representing Montana Benefits Association, said this would bring affordable health care for small business employees.

**Jim Ahrens**, representing Montana Hospital Association, pointed out that more insurance coverage would mean less bad debt and charities for hospitals to endure.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:** **SENATOR EKEGREN**

asked for clarification on the time frame. He asked if a business had a \$200 insurance premium and they paid 50% which was \$100, the tax credit would be \$50. Therefore, the business would take the credit deduction of \$50. **Ms. Clifford** clarified it was 50% of the premium paid, not in excess of \$200 for each employee. This was a credit per month. It was set up this way so it was not a rich benefit plan to try to control the cost of the bill.

**SENATOR EKEGREN** asked what the distinction was between tax deductions and tax credits. **Ms. Clifford** replied that a credit was a much more significant assistance to a business. *{Tape : 2; Side : A; Approx. Time Counter : 9.1 - 14.2}* **SENATOR ELLINGSON** pointed out, in reference to page 2, line 12-14, this was addressed. You can't take both, a deduction and a credit.

**SENATOR ELLIS** said he was concerned about equity regarding existing employers. **Ms. Clifford** said there were deductions available. The reason the bill does not address a business of one is because group health insurance starts at two and above.

**SENATOR ELLIS** pointed out that \$200 does not go far in paying for a health insurance premium. Normal premiums are \$400. **Ms. Clifford** replied they were trying to hold down the fiscal impact. Normally employees are asked to pay 10-50% of their premiums.

**Closing by Sponsor:** **SENATOR STONINGTON** closed. She noted that it would be good to provide a better situation but the fiscal impact needed to be controlled. *{Tape : 2; Side : A; Approx. Time Counter : 12 - 20.9}*

**ADJOURNMENT**

Adjournment: 9:23 A.M.

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SEN. BOB DEPRATU, Chairman

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DEB THOMPSON, Secretary

BD/DT

**EXHIBIT (tas32aad)**